

SOUTH CAROLINA MUSEUM COMMISSION

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2000

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State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 11, 2001

The Honorable Jim Hodges, Governor
and
Members of the Commission
South Carolina Museum Commission
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Museum Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2000, in the areas addressed. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and the associated findings are as follows:

1. We tested selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the tested receipt transactions were adequate. We also tested selected recorded receipts to determine if these receipts were recorded in the proper fiscal year. We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement. We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law. We compared current year recorded revenues from sources other than State General Fund appropriations to those of the prior year and we used estimations and other procedures to determine the reasonableness of collected and recorded amounts by revenue account. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Receipts and Revenues in the Accountant's Comments section of this report.

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2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records, were bona fide disbursements of the Commission, and were paid in conformity with State laws and regulations and if internal controls over the tested disbursement transactions were adequate. We also tested selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year. We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded expenditures were in agreement. We compared current year expenditures to those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account. The individual transactions selected for testing were chosen randomly. Our finding as a result of these procedures is presented in Disbursements in the Accountant's Comments section of this report.
3. We tested selected recorded payroll disbursements to determine if the tested payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements; and internal controls over the tested payroll transactions were adequate. We tested selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS. We also tested payroll transactions for selected new employees and selected ones who terminated employment to determine if internal controls over these transactions were adequate. We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement. We performed other procedures such as comparing current year recorded payroll expenditures to those of the prior year; comparing the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computing the percentage distribution of recorded fringe benefit expenditures by fund source and comparing the computed distribution to the actual distribution of recorded payroll expenditures by fund source to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Personal Services and Employer Contributions in the Accountant's Comments section of this report.
4. We tested selected recorded journal entries and all operating and appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate. The journal entries transactions selected for testing were chosen randomly. Our finding as a result of these procedures is presented in Appropriation Transfers in the Accountant's Comments section of this report.

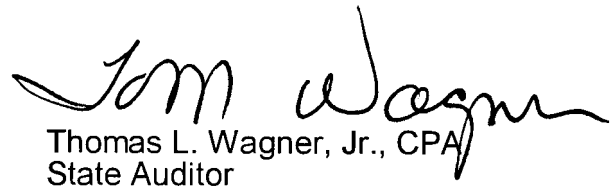
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5. We tested selected entries and monthly totals in the subsidiary records of the Commission to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and the internal controls over the tested transactions were adequate. The transactions selected for testing were chosen randomly. Our finding as a result of these procedures is presented in Budgetary Accounts in the Accountant's Comments section of this report.
6. We obtained all monthly reconciliations prepared by the Commission for the year ended June 30, 2000, and tested selected reconciliations of balances in the Commission's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if they were accurate and complete. For the selected reconciliations, we recalculated the amounts, agreed the applicable amounts to the Commission's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Commission's accounting records and/or in STARS. The reconciliations selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Reconciliations in the Accountant's Comments section of this report.
7. We tested the Commission's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 2000. Our findings as a result of these procedures are presented in Section B in the Accountant's Comments section of this report.
8. We reviewed the status of the deficiencies described in the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission resulting from our engagement for the fiscal year ended June 30, 1999, to determine if adequate corrective action has been taken. Our findings as a result of these procedures are presented in Section A in the Accountant's Comments section of this report.
9. We obtained copies of all closing packages as of and for the year ended June 30, 2000, prepared by the Commission and submitted to the State Comptroller General. We reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. Our findings as a result of these procedures are presented in GAAP Closing Packages in the Accountant's Comments section of this report.
10. We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2000, prepared by the Commission and submitted to the State Auditor. We reviewed it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. Our findings as a result of these procedures are presented in Schedule of Federal Financial Assistance in the Accountant's Comments section of this report.

The Honorable Jim Hodges, Governor
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April 11, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Further, we were not engaged to express an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the Commission's financial statements or any part thereof, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and of the governing body and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.



Thomas L. Wagner, Jr., CPA
State Auditor

ACCOUNTANT'S COMMENTS

SECTION A – STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 1999, and dated March 29, 2000. We determined that the Commission has taken adequate corrective action on the findings regarding the timing of voucher payments; filing of receipt packages; store sales revenues; journal entry documentation and approval; appropriation transfer approval; and petty cash bank accounts. We determined the other deficiencies described in our prior report still exist; consequently, we have reported similar findings in Section B herein:

Reconciliations

Budgetary Accounts

Personal Services and Employer Contributions

Schedule of Federal Financial Assistance

Disbursements – Supporting Documentation

Receipts and Revenues – Timing of Deposits

Receipts and Revenues – Admissions Revenues

Appropriation Transfers

GAAP Closing Packages

SECTION B – MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

The procedures agreed to by the agency require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were adequate. Management of the entity is responsible for establishing and maintaining internal controls. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has effective internal controls.

The conditions described in this section have been identified as material weaknesses or violations of State Laws, Rules, or Regulations.

RECONCILIATIONS

In our reports for fiscal years 1992 through 1999 we stated that the Commission failed to properly perform monthly reconciliations of balances in its internal accounting system (BARS) and those in the State's system (STARS) for all funds and for all months. The Commission performed revenues and expenditures reconciliations for general and earmarked funds for all fiscal year 2000 months. However, cash balances and federal funds grant/phase balances were not reconciled during fiscal year 2000. We compared year-to-date revenues, expenditures, and ending cash balances in BARS to those reported in STARS and identified several reconciling items. Because the fiscal month (FM) 13 revenues reconciliations were not signed and dated by someone other than the preparer, we could not determine if they were independently reviewed. None of the monthly reconciliations were dated by the reviewer.

The Commission has written procedures regarding the requirement for and performance of monthly reconciliations; however, they were not followed in fiscal year 2000. Furthermore, some federal funds balances on the agency's schedule of federal financial assistance differed from those in BARS and/or in STARS. The agency failed to reconcile the differences among the three, detect the errors, and promptly correct the accounting records and/or the federal schedule.

The Commission is not in compliance with the reconciliation procedures for error detection and correction required by Section 2.1.7.20 C. of the Comptroller General's Policies and Procedures Manual (STARS Manual). That section of the manual requires agencies to have clearly documented, written reconciliations for revenues, expenditures, and cash balances by fund which are prepared timely and signed and dated by the preparer and are independently reviewed and approved (evidenced by signature and date). The STARS Manual also requires that errors discovered in the reconciliation process be promptly corrected in BARS and/or in STARS as appropriate.

Further, Section 11-9-125 of the 1976 South Carolina Code of Laws as amended, states that state agencies must reconcile federal and other fund accounts at the end of each state fiscal year and maintain those records for audit purposes.

We again recommend that the Commission prepare, document, and review reconciliations at the prescribed level of detail for all required accounts and correct detected errors in accordance with STARS Manual guidelines. Each monthly reconciliation should be performed by a knowledgeable employee and independently reviewed and approved by a responsible supervisory employee.

BUDGETARY ACCOUNTS

For the prior two fiscal years 1999 and 1998 and again, for 2000 we could not determine whether the Commission entered its original fiscal year budget in BARS at the beginning of the year; accurately and timely recorded budget transfers in the system throughout the year; and produced and distributed timely, updated BARS reports throughout the year. In addition, the final “as adjusted” budget amounts on BARS for the three fiscal years differed from those in STARS.

If budget balances are not accurately and timely entered, updated, and reported, the information presented to department heads for budget monitoring and expenditure control is not reliable or useful. An effective internal control system includes such budget procedures. We continue to recommend that the Commission record the original budget and subsequent budget entries for revisions as they are approved and routinely (e.g., monthly) distribute updated budget reports to department heads for decision-making.

PERSONAL SERVICES AND EMPLOYER CONTRIBUTIONS

Supporting Documentation

We performed various tests of personnel and payroll transactions and records. For three of the 25 in one test, the Commission could not provide adequate documentation of employees' authorizations for all payroll withholdings and deductions. (We reported similar findings for fiscal years 1999 and 1998.) The Commission does not have written procedures regarding the filing and maintenance of employee authorizations for payroll withholdings and deductions.

Sound accounting control practices require supporting documentation to be obtained and retained and filed in an orderly, specified manner to support all recorded transactions. We again recommend the Commission develop and implement written file maintenance procedures which cover the initial creation and filing of all documents and the ongoing maintenance and control of files and their contents including temporary removal of the files or of information from the files (e.g., use of document sign-out forms) to ensure that documents can be located and retrieved by authorized users when needed regardless of turnover in the positions of the employees assigned responsibility for the files and their contents.

Payroll Additions and Terminations

For this engagement, we requested separate lists of all employees who started and all who terminated employment with the agency in fiscal year 2000. We selected 25 from each list for testing. For one employee on each list, the transaction effective dates on the list differed from those documented in the employee's personnel file. The initial and termination pay for those two were computed using the effective dates in the files. The Commission omitted at least one new hire from the listing provided to us. Using the hire dates in the

personnel files, we determined the Commission miscalculated the initial pay for two of 25 employees resulting in a total overpayment of \$74. Similar findings regarding documentation of hire dates and computation of initial pay were reported for 1999 and 1998.

A well-designed internal control system includes maintenance of accurate and complete information in personnel and payroll files; procedures for the payroll preparer to obtain information for payroll calculations from source records (e.g., time sheet, pay rate, annual leave balance); and independent review of payroll computations and verification of information used in calculations to the relevant supporting documentation prior to approval of the payroll voucher. Also, effective controls include independent verification of special purpose reports before those reports are distributed to the requesting internal or external party.

We recommend the Commission implement controls to ensure that documentation in personnel and payroll files is complete and accurate and that payments to employees are accurate. In addition to the minimum employee records as set forth in State Human Resources Regulations, the Commission should maintain adequate documentation of each employee's hire date, pay rate, authorization for all payroll withholdings and deductions, time worked and leave taken by leave category in each pay period, holiday and overtime hours, date of termination, and pay calculations. We also recommend that the agency strengthen procedures to ensure information obtained and/or summarized to satisfy specific requests is accurate including the source for each component and to require the independent reviewer to check the mathematical accuracy of the calculations and trace each component to the supporting documentation. The reviewer should sign and date documents to show that the information has been properly reviewed.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

In order to prepare the Statewide Single Audit report for fiscal year 2000 and each year, the State Auditor's Office requires each State agency receiving federal funds to prepare and submit a schedule of federal financial assistance containing all of its federal funds. We compared amounts on the Commission's fiscal year 2000 schedule to those in BARS and STARS for the Commission's federal funds. We noted the following deficiencies due to insufficient controls over the preparation of the schedule of federal financial assistance:

- The three reported different account balances and the Commission had not reconciled the differences.
- The Commission had not reconciled individual federal project and phase code balances in BARS to those in STARS using the CSA 467CM – Trial Balance by Subfund, Project, and GLA report.

We did not determine whether the Commission's schedule was accurate. [Our 1999 and 1998 reports described the deficiency relating to the Commission's failure to reconcile amounts on the schedule of federal financial assistance to amounts in BARS and STARS.]

The State Auditor's letter of instructions provides agencies with guidance and instructions for preparation of accurate and complete federal schedules. Section (B) of attachment 1 of the fiscal year 2000 instructions for completing the agencies' schedules of federal financial assistance states, "The amounts shown on the Total Federal Assistance line must be in agreement with the General Ledger (Receipts, Expenditures, Other Additions, Other Deductions, Ending Fund Balance). Any reconciling items should be fully explained." In addition, as described in our Reconciliations comment, the STARS Manual contains requirements for monthly reconciliations to the CSA 467CM report.

We continue to recommend that the Commission assign responsibility for preparing and reviewing its federal schedule to knowledgeable and well trained employees and provide proper staff training and establish written procedures regarding the preparation and

independent supervisory review of the Commission's schedule of federal financial assistance in accordance with the State Auditor's letter of instructions. The Commission should ensure that amounts and other information are accurate (e.g., reconciled to BARS and STARS) and complete.

DISBURSEMENTS

Supporting Documentation

There was inadequate supporting documentation for two of the 25 disbursement vouchers tested. The purchase requisition and purchase order were not attached to one voucher package and the invoice was not attached to the other. In response to our inquiry, management stated that the supporting documentation must have been lost. [A similar finding was described in our fiscal year 1999 report.]

Attributes of a strong internal control system include written procedures for retention of appropriate and adequate supporting documentation to support expenditure transactions and for file maintenance and control and the Commission's policies and procedures requires this information be attached to disbursement vouchers when they are filed. [An overview of file maintenance and control procedures is presented in our Supporting Documentation section of the Personal Services and Employer Contributions finding in these Accountant's Comments.]

We recommend the Commission review and update its policies and procedures regarding the minimum appropriate documentation for disbursement transactions and retention, file maintenance, and control of supporting documentation for disbursement vouchers to ensure that each transaction is properly supported and disbursement documentation is retained and accessible.

Rental Charges

The Commission recorded approximately \$2.8 million in total state owned real property rental expenditures and charged 99.9 percent of it to State General Fund appropriations. The remaining .1 percent was charged to earmarked funds. The agency was financed in fiscal year 2000 from multiple funding sources. Management did not provide us with documentation to support charging the majority of the rent to the one fund source.

Proviso 72.40 of Part IB of the fiscal year 2000 Appropriation Act states, "All departments and agencies against which rental charges are assessed and whose operations are financed in whole or in part by Federal and/or other non-appropriated funds are directed to apportion the payment of such charges equitably among all such funds, so that each shall bear its proportionate share."

We recommend that the Commission design and implement policies and procedures to ensure that rental charges are allocated equitably among all of its funds. The agency's control system should also ensure that adequate documentation of its allocation method and computations by fund source is prepared and retained.

RECEIPTS AND REVENUES

Timing of Deposits

Our fiscal year 2000 tests of receipts controls included 25 deposit packages each of which had one or more individual receipts. We could not determine if seven of those cash receipts were deposited in a timely manner because the Commission failed to document the dates the monies were collected. We reported identical findings in our two prior engagements. Cash is the asset which is most vulnerable to loss; therefore, adequate internal control procedures require the agency to initiate accounting control over monies immediately upon

collection (e.g., issue a cash receipt document, date-stamp the receipt documentation) and to timely deposit receipts. Furthermore, Part IB of each Appropriation Act (Proviso 72.1 of 2000) requires that collections be deposited at least once each week when practical.

We again recommend that the Commission implement procedures to ensure that each cash receipt is properly documented including the date of collection and is timely deposited.

Admissions Revenues

To determine the reasonableness of recorded tax payment amounts for both store sales and admissions revenues, we estimated the taxes that should have been paid. Our estimate exceeded the actual paid from admissions revenues by approximately \$5,500 or 35 percent. Upon further review, we determined the underpayment occurred because the Museum made an error on the spreadsheet it uses to compute the taxes that are due on a monthly basis. In error, the Commission reduced gross revenues used as the base in the admissions tax computations. Under an agreement between the Commission and the South Carolina Museum Foundation, the agency was to collect and remit to the Foundation an amount equal to a specified portion of the admission price for a Foundation-supported exhibit.

We recommend that a responsible supervisor perform an independent review of the spreadsheet to include, at a minimum, verifying amounts thereon to the source records and supporting documentation and checking the mathematical accuracy of the spreadsheet computations. We also recommend that the Commission remit the additional funds to the South Carolina Department of Revenue.

APPROPRIATION TRANSFERS

Our reports for fiscal years 1992 through 1999 stated that many of the appropriation transfers (AT) we tested did not have adequate supporting documentation attached or cross-referenced and lacked explanations that would enable us to determine the propriety and accuracy of the entries. The agency's response to the 1999 comment stated that "Procedures

have been implemented . . . to ensure all source documents . . . are adequately supported and approved.” Despite an independent review and approval of source documents, in our fiscal year 2000 tests, we identified similar deficiencies in the adequacy of support and explanations for two AT’s tested. In addition, those two transactions transferring monies between subfunds were not processed on the proper forms. The first was to record a short-term loan from earmarked to federal funds to finance expenditures incurred in a reimbursable grant until the reimbursement from the grantor was received. However, the Commission did not use the Appropriation/Cash Transfer (STARS Form 30); did not record the transaction on STARS; and did not repay this interfund loan before the end of the fiscal year as required by Section 2.1.5.175 of the STARS Manual. The other transaction was an operating transfer out of the State General Fund (subfund 1000) to move “cash associated with expenditure object code 07XX appropriations from the General Fund to subfund 3600.” Section 2.1.3.70 of the STARS Manual requires such transactions to be recorded on an Interdepartmental Transfer (STARS Form 40).

We again recommend the Commission strengthen its procedures to ensure all transaction documents are reviewed independently by a responsible supervisor other than the preparer for the use of the appropriate STARS and BARS forms, proper coding, and for the adequacy of documentation including explicitly stated explanations on the transaction forms plus attachment of and/or cross-reference to additional explanatory information. As stated in our Reconciliations comment, the agency should perform the required monthly cash reconciliations to ensure that transactions are consistently in both accounting systems. In addition, we recommend the Commission establish and implement procedures to monitor interfund loans to ensure they are timely paid and properly recorded.

GAAP CLOSING PACKAGES

Introduction

The State Comptroller General obtains certain generally accepted accounting principles (GAAP) information from agency-prepared closing packages to use in preparing the State's financial statements. The GAAP Closing Procedures Manual (the GAAP Manual) provides guidance and instructions for the preparation and review of the various closing packages. Sections 1.8 and 1.9 assign responsibility for their accuracy; suggests the responsibilities for preparing and reviewing them be assigned to qualified employees; and requires maintenance of workpapers to support every amount and other response on every closing package form.

Fixed Assets

For the third fiscal year-end, the Commission had not prepared, updated, and retained supporting documentation for each amount on each fixed assets closing package form for the ending capital asset balance. Additionally, the Commission had not prepared a detailed fixed assets listing of equipment. Therefore, the \$561,595 balance could not be agreed to a subsidiary ledger and we could not determine whether the balance on the closing package was accurate. GAAP Manual Sections 3.7 through 3.11 provide guidance and instructions for reporting fixed asset transactions and balances on closing packages.

We repeat our recommendations that the Commission properly prepare a fixed assets detail listing and establish procedures to ensure fixed asset records are updated and maintained accurately thereafter; closing packages are completed according to the Comptroller General's instructions; and accurate and adequate supporting documentation is prepared and maintained for all closing package amounts. Procedures should include periodic reconciliations of fixed asset category balances on the detail listing and those in BARS and an independent, effective review of fixed assets closing packages. If adjustments are identified, they should be reported in "Net Corrections to Prior Year Balances" on the closing package, as appropriate.

MANAGEMENT'S RESPONSE

**MANAGEMENT'S RESPONSE TO THE AGREED-UPON PROCEDURES FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

RECONCILIATIONS

The Commission has now implemented policies and procedures to ensure compliance with the reconciliation procedures for error detection and correction required by Section 2.1.7.20 C. of the Comptroller General's Policies and Procedures Manual. Monthly reconciliations of revenue, expenditures, and cash for all funds are now performed. Reconciliations of federal funds by grant project/phase are also performed monthly. In addition, reconciliations are reviewed, signed, and dated by someone other than the preparer.

BUDGETARY ACCOUNTS

Beginning in fiscal year 2001 and thereafter, the Commission entered its original fiscal year budget at the beginning of the fiscal year. Budget transfers were also recorded in the SABAR accounting system throughout the year, and updated budget reports were distributed monthly to department heads.

PERSONAL SERVICES AND EMPLOYER CONTRIBUTIONS

SUPPORTING DOCUMENTATION: File maintenance policies and procedures have been implemented to ensure documentation supporting all recorded transactions is retained and filed in an orderly, specified manner. Furthermore, document sign-out forms are now in use to prevent the removal of any original records without written documentation of the person obtaining the document and the original record's location.

PAYROLL ADDITIONS AND TERMINATIONS: The Commission purchased a new accounting software system in fiscal year 2000. This new system included a personnel/payroll module. Implementation of this module is currently underway and will facilitate communication between the Human Resource and Accounting offices. Additionally, many forms are now manually completed which increases the error rate for recording data. Implementation of this module will reduce the amount of data recorded manually on several different forms and will also allow the electronic calculation of pay information.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Through the reconciliation process the Commission is working with the Comptroller General's Office to eliminate all differences between the Commission and Comptroller General's books with regard to federal project and phase code balances. Also, all reconciling items between the ending balances reported on the Schedule of Federal Financial Assistance and the Commission and/or Comptroller General's books are fully explained in the working papers.

DISBURSEMENTS

SUPPORTING DOCUMENTATION: As noted in "Supporting Documentation" above, file maintenance policies and procedures have been implemented to ensure documentation supporting all recorded transactions is retained and filed in an orderly, specified manner. Also, the accounting staff has been trained with regard to documentation that is sufficient to support the recorded transactions.

RENTAL CHARGES: The Commission has reviewed the current method to allocate rent charges and is satisfied that the current practice of charging the one fund source is appropriate. However, documentation supporting this review was not available. The Commission is currently recreating documentation to support the current allocation method for rent.

RECEIPTS AND REVENUES

TIMING OF DEPOSITS: Procedures have been implemented to ensure cash receipts are deposited in a timely manner. All cash is deposited at least within one week of receipt in accordance with Part IB of each Appropriation Act (Proviso 72.1 of 2000).

ADMISSIONS REVENUES: A proviso that became effective July 1, 2001, exempts the Commission from paying Admissions tax.

APPROPRIATION TRANSFERS

Policies and procedures regarding the preparation of transaction documents and their supporting documentation have been implemented to ensure that the appropriate document is prepared for the transaction and that the supporting documentation is adequate. All transactions that affect the Commission's books are also recorded on STARS and the budget balances between the Commission and the Comptroller General are now reconciled monthly.

GAAP CLOSING PACKAGES

FIXED ASSETS: The Commission is in the process of adding all fixed asset records to the SABAR accounting system. The fixed asset inventory will consist of the internal file of those items below the capitalization limits at July 1, 2001, as well as the capital assets ledger for those items reportable as capital assets in the GAAP Closing Package for fiscal year ended June 30, 2002. Additionally, written policies and procedures are being incorporated into the Commission's Policies and Procedures Manual.

5 copies of this document were published at an estimated printing cost of \$1.69 each, and a total printing cost of \$8.45. The FY 2000-01 Appropriation Act requires that this information on printing costs be added to the document.